



DEPARTMENTAL STORES

Introduction

A department store is a retail enterprise that sells a large variety of consumer goods in various regions of the store, each of which is called a "department" and focuses on a specific product category. The department store made a dramatic appearance in modern large cities in the middle of the nineteenth century, irreversibly reshaping shopping patterns and the meaning of service and luxury. Adult and children's ready-to-wear garments and accessories, yard goods and domestic textiles, small household items, furniture, electrical appliances and accessories, and, in some cases, food are among them. Managers and purchasers oversee the divisions and departments in which these commodities are stored. Discount, general merchandise, fashion or high fashion, and speciality are common categories for department shops based on the types of goods they carry and the prices they charge.

Market Potential

According to Forrester Research, India's retail sector would be worth \$883 billion in 2020, with grocery retail accounting for \$608 billion. By 2024, the market is expected to reach US\$ 1.3 trillion. With the addition of 40 million new online buyers, India's e-commerce business is expected to reach US\$ 55 billion in sales by 2021. In 2021, the number of online buyers is expected to reach 190 million, up from 150 million last year, with 300 million expected in the next five years. With an annual Gross Merchandise Value (GMV) of US\$ 350 billion, India is expected to overtake the United States and China as the world's third-largest online retail industry by 2030. By 2030, new-generation logistics companies are estimated to deliver 2.5 billion Direct-to-Consumer (D2C) packages. In the next ten years, online used automobile transaction penetration is predicted to increase by 9x. Despite the epidemic, Amazon, Flipkart, and other vertical players sold \$9 billion worth of items during the festival season in 2020.

Assumptions

1. For SME unit having yearly turnover of 500 lakhs, the Nayak Committee recommendation has been implemented by all the banks. Hence, we have worked out the funding requirement accordingly.
2. Sales of such trading units is majorly impacted by the selection of business location. The entrepreneur should examine all business aspects while selecting this location. Normally, garment unit is established in a prevalent market area. Thus, we have assumed that the unit has been set up in a market area.

3. The shop premises of this unit is taken on lease. 1500 sq. ft. is the proposed area which shall be spacious for stock display and stock-keeping.
4. Computation of Closing Stock is done on the basis of Working Capital cycle which is assumed to be of 0.5 months.
5. DSCR is high because of the term loan component is lesser than working capital requirement. We have not considered repayment for working capital and it is running on a continuous basis.

Cost of Project

Particulars	Amount (Rs. in Lakhs)
Premises (Lease)	-
Interior Civil Work including False Ceiling, Wall Rack, Partition Rack, etc. (1500 sq. ft. @ Rs. 800 per sq. ft.) (Shop Premises)	12.00
Scooty & Cycle	0.70
Furniture and Fixtures as per Annexure	2.69
Electrical Equipment (AC, as per Annexure)	4.31
Desktop and Printer	1.50
Software cost	0.50
DG Set	1.00
Preliminary & Preoperative Expenses	2.44
Sub-total (A)	25.14
Working Capital Margin @ 25% of Total WC Requirement	10.00
Total Project Cost	35.14
Total Working Capital Required (Lump sum) (B)	40.00
MEANS OF FINANCE	
Total Funds Required (A+B)	65.14
<u>Loan Component-</u>	
TERM LOAN (75% of A)	18.85
WORKING CAPITAL (75% of B)	30.00
Total	48.85
Equity	16.28
Total	65.14

Detailed Cost Element

Sl. No.	Particulars	Quantity	Rate	Amount (Rs. in Lakhs)
Electrical Equipment				
1	Centralized AC	4	65,000	2.60
2	Weighing Machine	3	3500	0.11
3	Freezer	3	30000	0.90
4	Refrigerator	2	15000	0.30
5	Light	LS	LS	0.40
Total				4.31
Furniture and Fixtures				
1	Chairs	LS	LS	0.15
2	Customer Sitting Bench	2	7160	0.14
3	Sensor Security Gate	1	50000	0.50
4	Shopping Trolley	50	3500	1.75
5	Counter	3	LS	0.15
Total				2.69

Preliminary Expenses

Particulars	Amount (Rs. in Lakhs)
Incorporation Expenses	0.10
Project Report Preparation	0.10
Interior Designer's Fee	0.25
Legal Charges - Drafting for agreements, contracts, stamp paper, notary and affidavit cost	0.05
Salary (2 months)	0.84
Rent Expenses (2 months; Rs. 30/sq. ft.)	0.90
Interest Cost for Both Term Loan And CC (period before commercial production)	0.20
Total	2.44

Salary

Designation	Manpower	Amount (Rs. in Lakhs)
Cashier	3	3.60
Delivery Boy	3	3.60
Staff	4	5.76
Supervisor	1	2.40
Security Guard	2	1.92

Profitability Statement

Particulars	Amount (Rs. in lakhs)				
	Year- 1	Year- 2	Year- 3	Year- 4	Year- 5
<u>A. INCOME</u>					
Total Working Days in a Year	300.00	300.00	300.00	300.00	300.00
Estimated Sales per Day (Rs.)	1.80	1.98	2.18	2.40	2.64
Annual turnover (Rs.)	540.00	594.00	653.40	718.74	790.61
Total income during the year	540.00	594.00	653.40	718.74	790.61
<u>B. OPERATING EXPENSES</u>					
Stock Consumed (75% of Sales)	405.00	445.50	490.05	539.06	592.96
Salary	17.28	18.14	19.05	20.00	21.00
Rent	13.50	14.18	14.88	15.63	16.41
Power & utilities	2.40	2.45	2.50	2.55	2.60
Depreciation and Amortization	2.39	2.39	2.39	1.87	1.87
Administrative and General Expenses	27.00	29.70	32.67	35.94	39.53
Total Operating Expenses	467.57	512.36	561.54	615.04	674.37
Operating Profit (A-B)	72.43	81.64	91.86	103.70	116.24
<u>C. FINANCIAL EXPENSES</u>					
Interest on Term loan	1.46	1.14	0.81	0.49	0.17
Interest on Working Capital Loan	2.55	2.55	2.55	2.55	2.55
Total Expenses	4.01	3.69	3.36	3.04	2.72
Net Profit Before Tax	68.42	77.96	88.49	100.66	113.52
Provision for Tax	17.11	19.49	22.12	25.16	28.38
Net Profit after Tax (PAT)	51.32	58.47	66.37	75.49	85.14
Dividend Declared	0.00	0.00	0.00	0.00	0.00
Retained Profit	55.08	62.28	70.23	79.43	89.15

Breakeven Point

Break Even Point (BEP)		Amount (Rs. In Lakhs)				
SL	Particulars	Year - 1	Year - 2	Year - 3	Year - 4	Year - 5
A.	Net Sales	540.00	594.00	653.40	718.74	790.61
B.	Variable Cost					
	Stock Consumed	405.00	445.50	490.05	539.06	592.96
	Power and Utility	2.40	2.45	2.50	2.55	2.60
	Total Variable Cost	407.40	447.95	492.55	541.60	595.56
C.	Contribution (A-B)	132.60	146.05	160.85	177.14	195.06
D.	Fixed cost					
	Salary	17.28	18.14	19.05	20.00	21.00
	Rent Expenses	13.50	14.18	14.88	15.63	16.41
	Interest on Term Loan	1.46	1.14	0.81	0.49	0.17
	Interest on WC Loan	2.55	2.55	2.55	2.55	2.55
	Depreciation and Amortization	2.39	2.39	2.39	1.87	1.87
	Total Fixed Cost	37.18	38.40	39.69	40.54	42.00
E.	Breakeven Point	28%	26%	25%	23%	22%
F.	Cash BEP	26%	25%	23%	22%	21%

Debt-Service Coverage Ratio

		Amount (Rs. In lakhs)				
SL	Particulars	Year - 1	Year - 2	Year - 3	Year - 4	Year - 5
i	Profit	51.32	58.47	66.37	75.49	85.14
ii	Depreciation	2.39	2.39	2.39	1.87	1.87
iii	Interest	1.46	1.14	0.81	0.49	0.17
A	Total (i + ii + iii)	55.16	61.99	69.58	77.85	87.18
i	Interest	1.46	1.14	0.81	0.49	0.17
ii	Principal repayment	3.77	3.77	3.77	3.77	3.77
B	Total (i + ii)	5.23	4.91	4.59	4.26	3.94
	DSCR (A / B)	10.55	12.64	15.17	18.25	22.10

Interest on Term Loan and Principal Repayment

Refer Annexure I for Loan Repayment Schedule.

We have assumed the repayment tenure of term loan for a period of 5 years, Rate of interest being 8.5% p.a.

Address of Vendors

Name of the Vendor	Address and Contact Number
B G Distributors Pvt. Ltd.	46C, Jawaharlal Nehru Rd, Kankaria Estates, Park Street area, Kolkata, West Bengal 700071 Contact No. – 033 3290 9990
Rochak Agro Food Products Pvt Ltd(HUL Division)	36E Topsia Road, Uttar Panchanna Gram, Kolkata, West Bengal, Backside of Trinamool Bhavan, Hindustan Unilever Godown, Kolkata, West Bengal 700039 Contact No. – 09038457791
Rochak Masala	36 Maharshi Debendra Road, Akash Ganga Building 2nd Floor, Kolkata, West Bengal 700006 Contact No. – 08232019680

ANNEXURE - 1

Year	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Annually
I													
Principal													
Opening	18.85	18.54	18.23	17.91	17.60	17.28	16.97	16.65	16.34	16.03	15.71	15.40	
Repaid	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	3.77
Closing	18.54	18.23	17.91	17.60	17.28	16.97	16.65	16.34	16.03	15.71	15.40	15.08	
Interest	0.13	0.13	0.13	0.13	0.12	0.12	0.12	0.12	0.12	0.11	0.11	0.11	1.46
II													
Principal													
Opening	15.08	14.77	14.45	14.14	13.83	13.51	13.20	12.88	12.57	12.25	11.94	11.63	
Repaid	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	3.77
Closing	14.77	14.45	14.14	13.83	13.51	13.20	12.88	12.57	12.25	11.94	11.63	11.31	
Interest	0.11	0.10	0.10	0.10	0.10	0.10	0.09	0.09	0.09	0.09	0.08	0.08	1.14
III													
Principal													
Opening	11.31	11.00	10.68	10.37	10.06	9.74	9.43	9.11	8.80	8.48	8.17	7.86	
Repaid	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	3.77
Closing	11.00	10.68	10.37	10.06	9.74	9.43	9.11	8.80	8.48	8.17	7.86	7.54	
Interest	0.08	0.08	0.08	0.07	0.07	0.07	0.07	0.06	0.06	0.06	0.06	0.06	0.81
IV													
Principal													
Opening	7.54	7.23	6.91	6.60	6.28	5.97	5.66	5.34	5.03	4.71	4.40	4.08	
Repaid	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	3.77
Closing	7.23	6.91	6.60	6.28	5.97	5.66	5.34	5.03	4.71	4.40	4.08	3.77	
Interest	0.05	0.05	0.05	0.05	0.04	0.04	0.04	0.04	0.04	0.03	0.03	0.03	0.49
V													
Principal													
Opening	3.77	3.46	3.14	2.83	2.51	2.20	1.89	1.57	1.26	0.94	0.63	0.31	
Repaid	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	3.77
Closing	3.46	3.14	2.83	2.51	2.20	1.89	1.57	1.26	0.94	0.63	0.31	-0.00	
Interest	0.03	0.02	0.02	0.02	0.02	0.02	0.01	0.01	0.01	0.01	0.00	0.00	0.17